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**透云科技**  
**Ty. Technology**

**China Touyun Tech Group Limited**

**中國透雲科技集團有限公司**

*(Incorporated in Bermuda with limited liability)*

*Website: [www.chinatouyun.com.hk](http://www.chinatouyun.com.hk)*

**(Stock Code: 1332)**

## **ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to the announcement of China Touyun Tech Group Limited (the “Company”) dated 30 March 2020 in relation to the unaudited annual results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2019 (the “2019 Results Announcement”). Capitalized terms used herein, unless otherwise defined, shall have the same meanings as those defined in the 2019 Results Announcement.

### **AUDITOR’S AGREEMENT ON THE 2019 ANNUAL RESULTS**

The board of directors (the “Board”) hereby announces that on 21 April 2020, the Company has obtained the agreement from the Company’s auditor, Moore Stephens CPA Limited, on the annual results for the year ended 31 December 2019 (the “2019 Annual Results”) (including the financial figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position and the related notes thereto) as set out in the 2019 Results Announcement. Except there were an update on the note 20 “Events after reporting period”, the 2019 Annual Results contained in the 2019 Results Announcement remain unchanged. The audited consolidated results of the Group for the year ended 31 December 2019 together with comparative figures for the previous year are as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue from treasury investment</b>			
Fair value gains/(losses) on financial assets at fair value through profit or loss held for trading, net	4	<b>10,074</b>	(1,307)
Interest income from money lending business	4	<b>1,250</b>	–
Dividend income from financial assets at fair value through profit or loss held for trading	4	<b>1,393</b>	447
<b>Revenue from sales of goods and services rendered</b>	4	<b>329,979</b>	349,630
Cost of sales		<b>(217,202)</b>	(254,090)
<b>Gross profit</b>		<b>112,777</b>	95,540
Impairment loss of goodwill		<b>(164,702)</b>	(37,023)
Impairment loss of trade receivables, net		<b>(3,210)</b>	(2,016)
Other income, gains and losses, net	5	<b>(28,330)</b>	(33,750)
Selling and distribution expenses		<b>(23,012)</b>	(31,645)
Administrative expenses		<b>(135,510)</b>	(207,708)
Finance costs	6	<b>(25,988)</b>	(41,807)
Share of result of a joint venture		–	19
Share of result of an associate		<b>60,362</b>	7,276
<b>Loss before tax</b>	7	<b>(194,896)</b>	(251,974)
Income tax	8	<b>(4,213)</b>	(1,989)
<b>Loss for the year</b>		<b>(199,109)</b>	(253,963)
<b>Loss for the year attributable to:</b>			
— Owners of the Company		<b>(200,513)</b>	(253,877)
— Non-controlling interests		<b>1,404</b>	(86)
		<b>(199,109)</b>	(253,963)
			(Restated)
<b>Loss per share attributable to owners of the Company</b>	10	<b>HK8.19 cents</b>	HK10.37 cents

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(199,109)</b>	(253,963)
<b>Other comprehensive income</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>602</u>	<u>1,367</u>
<b>Other comprehensive income for the year, net of tax</b>	<u>602</u>	<u>1,367</u>
<b>Total comprehensive loss for the year</b>	<u><b>(198,507)</b></u>	<u>(252,596)</u>
Total comprehensive loss attributable to:		
Owners of the Company	<b>(199,911)</b>	(252,510)
Non-controlling interests	<u>1,404</u>	<u>(86)</u>
	<u><b>(198,507)</b></u>	<u>(252,596)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b><i>Non-current assets</i></b>			
Property, plant and equipment		29,264	36,423
Right-of-use assets		23,427	–
Intangible assets		10,741	16,054
Goodwill	11	–	164,702
Interests in an associate		209,206	148,844
Financial assets at fair value through profit or loss	12	249,002	243,009
		521,640	609,032
<b><i>Current assets</i></b>			
Inventories		29,571	35,597
Trade and bills receivables	13	54,763	61,804
Prepayments, deposits and other receivables		9,895	16,140
Note receivable	14	–	188,440
Loan and interest receivables	15	71,250	–
Financial assets at fair value through profit or loss	12	158,825	24,250
Restricted deposits		–	10,928
Cash and cash equivalents		40,457	97,513
		364,761	434,672
<b><i>Current liabilities</i></b>			
Trade payables	16	32,154	42,121
Contract liabilities		24,239	28,883
Lease liabilities		13,929	–
Other payables and accruals		22,612	17,883
Other borrowings		11,596	–
Tax payable		1,930	4,926
Derivative embedded in convertible bond	17	–	3,140
Convertible bond	17	225,236	219,461
		331,696	316,414
<b>Net current assets</b>		<b>33,065</b>	118,258
<b>Total assets less current liabilities</b>		<b>554,705</b>	727,290
<b><i>Non-current liabilities</i></b>			
Deferred tax liabilities		–	42
Lease liabilities		10,138	–
		10,138	42
<b>Net assets</b>		<b>544,567</b>	727,248

	<i>Note</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
<b>Equity</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	<i>19</i>	<b>97,973</b>	97,973
Reserves		<b>443,232</b>	628,819
		<b>541,205</b>	726,792
<b>Non-controlling interests</b>		<b>3,362</b>	456
<b>Total equity</b>		<b>544,567</b>	727,248

## Notes:

### 1.(a) CORPORATE AND GROUP INFORMATION

China Touyun Tech Group Limited (the “Company”) was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability on 24 October 2011. The principal place of business of the Company is located at 12th Floor, Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong. During the year, the principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are (i) provision of QR codes on product packaging and solutions and advertising display services; (ii) the manufacture and sale of packaging products; and (iii) investments and trading in securities and money lending.

### 1.(b) BASIS OF PREPARATION

As at 31 December 2019, the convertible bond (“CB”) as set out in note 17 has been past due and hence is due for immediate payment, and the amount immediately payable by the Group, taken into account (a) outstanding principal, (b) interest accrued but unpaid, (c) additional interest to make up an internal rate of return of 10.0% on the aggregate principal amount of the outstanding CB and (d) default interest at a rate of 18% per annum, was approximately US\$28,876,000 (equivalent to HK\$225,236,000). As at 31 December 2019, the Group’s net current assets and cash and cash equivalent were amounting to HK\$33,065,000 and HK\$40,457,000 respectively.

In December 2019, the Group received a letter from the CB holder demanding repayment of the outstanding amount of the CB, and the letter did not specify any deadline for repayment. Despite the fact that no proceedings in respect of the outstanding CB have been instituted or threatened to be instituted by the CB holder against the Company, the above-mentioned conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2019 and subsequently thereto up to the date of this announcement. In order to improve the Group’s financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date of this announcement, but not limited to, the followings:

- (i) The Company has continued discussions with the CB holder with regards to the repayment arrangement of the CB, including but not limited to, agreeing to a repayment schedule;
- (ii) The Group will strengthen and implement measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating costs;
- (iii) The Company will consider to improve the financial position of the Group and to enlarge the capital base of the Company by conducting fund raising exercises such as share subscription or placing when necessary; and
- (iv) The Group is looking for an opportunity to realise part of its investment to reduce its overall business risk and to obtain additional working capital.

In addition, on 13 March 2020, the Company entered into a share subscription agreement with an independent third party, Tian Yuze (田宇澤), in relation to the subscription for 135,135,135 new shares of the Company at HK\$0.37 per share. The net proceeds from the share subscription are HK\$49,876,000, and the proceeds are intended to be applied as general working capital of the Group. The subscription agreement has been completed as at the date of this announcement.

On 14 April 2020, the Company entered into a share subscription agreement with an independent third party, Ngai Shun (蟻純), in relation to the subscription for 135,135,135 new shares of the Company at HK\$0.37 per share. The net proceeds from the subscription are HK\$49,976,000 and the proceeds are intended to be applied as general working capital of the Group. The subscription agreement has been completed as at the date of this announcement.

On the basis of the successful implementation of the measures described above in the foreseeable future and after assessing the Group's net current assets of HK\$33,065,000 as at 31 December 2019, and Group's current and forecasted cash positions, taking into account the aggregate net proceeds of HK\$99,852,000 from the share subscriptions, listed equity investments with fair value of HK\$158,825,000 held by the Group as at 31 December 2019, which is considered as highly liquid assets, and subsequent repayment of loan and interest receivables of HK\$71,250,000 as at 31 December 2019 as disclosed in note 15, the directors of the Company are satisfied that the Group will be able to meet in full the Group's financial obligations as they fall due for the twelve months from 31 December 2019. Accordingly, the consolidated financial statements of the Group have been prepared on the going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

## **2. PRINCIPAL ACCOUNTING POLICIES**

### **(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional currency. All values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements have been prepared under the historical cost convention, except for equity investments classified as financial assets at fair value through profit or loss and derivative component of convertible bond, which have been measured at fair value.

### ***Basis of consolidation***

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control above. A change in the ownership interest of a subsidiary, without loss of control, is accounted for an equity transaction.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any investment retained and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

**(b) New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

***HKFRS 16 Leases***

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.



### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition.

Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rates for certain leases of office equipment in the PRC and office building in Hong Kong and PRC were determined on a portfolio basis.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied was 4.84%.

	<b>At 1 January 2019</b> <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	17,918
Less: Recognition exemption — short-term leases	<u>(602)</u>
Subtotal	<u><u>17,316</u></u>
Lease liabilities discounted at relevant incremental borrowing rate as at 1 January 2019	<u><u>17,092</u></u>
Analysed as	
Current	10,163
Non-current	<u>6,929</u>
	<u><u>17,092</u></u>

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	<b>At 1 January 2019</b> <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u><u>16,281</u></u>
By class:	
Office buildings	16,251
Office equipment	<u>30</u>
	<u><u>16,281</u></u>

The following table summarises the impact of transition to HKFRS 16 on accumulated losses at 1 January 2019.

	<b>Impact of adopting HKFRS 16 at 1 January 2019</b> <i>HK\$'000</i>
Accumulated losses	<u>811</u>
Impact at 1 January 2019	<u><u>811</u></u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously reported at 31 December 2018</b>	<b>Adjustments</b>	<b>Carrying amounts under HKFRS 16 at 1 January 2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Right-of-use assets	–	16,281	16,281
<b>Current liabilities</b>			
Lease liabilities	–	(10,163)	(10,163)
<b>Non-current liabilities</b>			
Lease liabilities	–	(6,929)	(6,929)
<b>Equity</b>			
Reserves	<u>628,819</u>	<u>(811)</u>	<u>628,008</u>

### 3. SEGMENT INFORMATION

The Group has three reportable segments. The segments are managed separately as each business offers different products or provides different services and requires different business strategies.

The following summary describes the operations in each of the Group's reportable segments:

- QR code business segment — Provision of QR code on product packaging and solutions and advertising display services
- Packaging products segment — Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
- Treasury investment segment — Investments and trading in securities and money lending

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs, share of results of a joint venture and an associate and head office and corporate income and expenses are excluded from such measurement.

There was no inter-segment sale or transfer during the year (2018: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance.

	QR code business		Packaging products		Treasury investment		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group's revenue	69,691	73,405	260,288	276,225	-	-	329,979	349,630
Fair value gains/(losses) on financial assets at fair value through profit or loss held for trading, net	-	-	-	-	10,074	(1,307)	10,074	(1,307)
Interest income from money lending business	-	-	-	-	1,250	-	1,250	-
Dividend income from financial assets at fair value through profit or loss held for trading	-	-	-	-	1,393	447	1,393	447
Segment revenue	<u>69,691</u>	<u>73,405</u>	<u>260,288</u>	<u>276,225</u>	<u>12,717</u>	<u>(860)</u>	<u>342,696</u>	<u>348,770</u>
Segment results	<u>(199,724)</u>	<u>(195,734)</u>	<u>20,514</u>	<u>8,423</u>	<u>12,582</u>	<u>(890)</u>	<u>(166,628)</u>	<u>(188,201)</u>
Corporate and unallocated income, gains and losses							(27,244)	5,696
Corporate and unallocated expenses							(35,398)	(34,957)
Share of result of a joint venture							-	19
Share of result of an associate							60,362	7,276
Finance costs							(25,988)	(41,807)
Loss before tax							<u>(194,896)</u>	<u>(251,974)</u>
<b>Other segment information:</b>								
Capital expenditure								
— operating segment	785	44,935	2,878	39	-	-	3,663	44,974
— unallocated							-	13
							<u>3,663</u>	<u>44,987</u>
Interest income								
— operating segment	126	849	35	28	-	-	161	877
— unallocated							9,489	10,610
							<u>9,650</u>	<u>11,487</u>
Depreciation								
— operating segment	3,655	18,941	3,534	1,719	-	-	7,189	20,660
— unallocated							14	9
							<u>7,203</u>	<u>20,669</u>
Amortisation of intangible assets	7,935	7,838	-	-	-	-	7,935	7,838
Loss on disposal of property, plant and equipment	1,124	2,385	-	-	-	-	1,124	2,385
Impairment loss of property, plant and equipment	-	40,718	-	-	-	-	-	40,718
Property, plant and equipment written off	134	-	525	-	-	-	659	-
Impairment loss of trade receivables, net	3,210	2,016	-	-	-	-	3,210	2,016
Impairment loss of goodwill	164,702	37,023	-	-	-	-	164,702	37,023
Impairment loss of intangible assets	1,274	-	-	-	-	-	1,274	-

Revenue from external customers based on the locations of these customers is analysed as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
QR code business:		
— PRC	<u>69,691</u>	<u>73,405</u>
Packaging products:		
— Hong Kong and the PRC	<b>109,501</b>	128,218
— Europe	<b>79,856</b>	91,629
— North and South America	<b>31,694</b>	34,307
— Others	<u>39,237</u>	<u>22,071</u>
	<b>260,288</b>	276,225
Treasury investment:		
— Hong Kong	<u>12,717</u>	<u>(860)</u>
Segment revenue	<u><b>342,696</b></u>	<u>348,770</u>

The geographical locations of the Group's non-current assets, except for financial assets at fair value through profit or loss are analysed as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	<b>227,653</b>	149,790
Mainland China	<u>44,985</u>	<u>216,233</u>
	<u><b>272,638</b></u>	<u>366,023</u>

The non-current asset information above is based on the locations of the assets.

#### **Information about major customers**

Revenue derived from customers in the packaging products segment which individually accounted for more than 10% of the Group's total revenue is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A	<b>41,532</b>	39,268
Customer B	<u>40,273</u>	<u>45,559</u>

#### 4. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, value of services rendered, net fair value gains and losses on financial assets at fair value through profit or loss, dividend income on investment portfolio and interest income from money lending business.

An analysis of the Group's revenue is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Manufacturing and sales of packaging products	<b>260,288</b>	276,225
Provision of QR code products packaging and solutions	<b>68,283</b>	71,625
Advertising display service income	<b>1,408</b>	1,780
	<u><b>329,979</b></u>	<u>349,630</u>
Fair value gains/(losses) on financial assets at fair value through profit or loss held for trading, net ( <i>note (i)</i> )	<b>10,074</b>	(1,307)
Interest income from money lending business	<b>1,250</b>	–
Dividend income from financial assets at fair value through profit or loss held for trading	<b>1,393</b>	447
	<u><b>342,696</b></u>	<u>348,770</u>

*Note:*

- (i) During the year ended 31 December 2019, the gross proceeds from the disposal of listed equity investments classified as financial assets at fair value through profit or loss for the year were approximately HK\$21,560,000. During the year ended 31 December 2018, the Group did not dispose of any listed equity investments classified as financial assets at fair value through profit or loss held for trading.

The revenue within the scope of HKFRS 15 for the year ended 31 December 2019 were categorised by timing of revenue recognition at (i) a point in time of HK\$328,571,000 (2018: HK\$347,850,000) and (ii) over time of HK\$1,408,000 (2018: HK\$1,780,000).

## 5. OTHER INCOME, GAINS AND LOSSES, NET

An analysis of the Group's other income, gains and losses, net is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank interest income	<b>198</b>	962
Imputed interest income from note receivable	<b>9,452</b>	10,525
Sale of scrap materials	–	127
Gain on partial redemption of note receivable	<b>2,108</b>	12,761
Gain on disposal of subsidiaries, net	–	711
Loss on early redemption of convertible bond (“CB”)	–	(3,843)
Fair value gain/(loss) on derivative component of CB (including changes arising from early redemption of CB)	<b>3,140</b>	(1,313)
Fair value loss on financial assets at fair value through profit or loss (not held for trading), net	<b>(42,967)</b>	(12,791)
Foreign exchange differences, net	<b>785</b>	(756)
Impairment loss of property, plant and equipment	–	(40,718)
Impairment loss of intangible assets	<b>(1,274)</b>	–
Loss on disposal of property, plant and equipment, net	<b>(1,124)</b>	(2,385)
Property, plant and equipment written off	<b>(659)</b>	–
Other receivable written off	–	(675)
Others	<b>2,011</b>	3,645
	<b>(28,330)</b>	(33,750)

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest expense on CB	<b>23,988</b>	41,187
Interest on lease liabilities (2018: interest on obligations under finance lease)	<b>1,271</b>	620
Interest on other borrowings	<b>729</b>	–
	<b>25,988</b>	41,807

Included in interest expense on CB for the year ended 31 December 2019 was an amount of HK\$5,600,000 related to penalty interest expense for the default of payment at maturity (2018: HK\$5,641,000 related to accelerated interest expense for the breach of financial covenants of convertible bond agreement).

## 7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Auditor's remuneration	1,420	1,350
Cost of inventories sold	217,202	254,090
Depreciation of property, plant and equipment	7,203	20,669
Depreciation of right-of-use assets	16,444	–
Amortisation of intangible assets	7,935	7,838
Short-term lease payments (2018: Minimum lease payments under operating leases)	1,073	15,152
Research and development cost	17,308	33,339
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	59,128	63,193
Pension scheme contributions	1,334	7,355
	<u>60,462</u>	<u>70,548</u>
Equity-settled share option expense	<u>15,135</u>	<u>15,870</u>

## 8. INCOME TAX

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	3,200	716
Current tax — PRC Corporate Income Tax		
Provision for the year	690	1,287
Under-provision in respect of previous year	365	–
	<u>4,255</u>	<u>2,003</u>
Deferred tax	<u>(42)</u>	<u>(14)</u>
	<u>4,213</u>	<u>1,989</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.



Qualipak Manufacturing Limited, a subsidiary of the Group is qualified the two-tiered profit tax rates regime and accordingly its profit tax, is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000. Profits of other group entities in Hong Kong are taxed at 16.5%.

In accordance with the PRC Corporate Income Tax Law, the PRC Corporate Income Tax is calculated at a statutory rate of 25% (2018: 25%) of the assessable profits except for 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd.\*, “SHTY”) and 透雲物聯網科技(北京)有限公司 (previously known as 信碼互通(北京)有限公司) (TY Technology (Beijing) Co., Ltd.\*, “BJTY” (previously known as Sigmatrix Technology Co. Ltd.\*, “Sigmatrix”)), two indirect wholly-owned subsidiaries of the Group. Both companies obtained the High-new Technology Certificate for the years from 2017 to 2020 and were entitled to a tax rate of 15%.

## 9. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2018: Nil).

## 10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic and diluted loss per share attributable to owners of the Company for the years ended 31 December 2019 and 2018 are based on the following data:

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Loss for the year attributable to owners of the Company	<u>(200,513)</u>	<u>(253,877)</u>
	<b>'000</b>	<b>'000</b> (Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><b>2,449,328</b></u>	<u>2,449,328</u>

On 12 August 2019, the Company implemented the share consolidation (“Share Consolidation”) on the basis that every four issued and unissued existing shares of a par value of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated ordinary share of HK\$0.04 each.

The weighted average number of ordinary shares for the year ended 31 December 2019 has included the effect of Share Consolidation.

The weighted average number of ordinary shares for the purpose of calculation of basic loss per share for the year ended 31 December 2018 has been retrospectively adjusted to reflect the Share Consolidation.

The computation of diluted loss per share for the years ended 31 December 2019 and 2018 does not assume the conversion of the Company’s outstanding convertible bond and the exercise of share options since their assumed exercise would result in a decrease in loss per share.

\* For identification purpose only

## 11. GOODWILL

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Cost</b>		
1 January and 31 December	<u>569,947</u>	<u>569,947</u>
<b>Accumulated impairment losses</b>		
1 January	405,245	368,222
Impairment loss for the year	<u>164,702</u>	<u>37,023</u>
31 December	<u>569,947</u>	<u>405,245</u>
<b>Net carrying amount</b>		
31 December	<u>-</u>	<u>164,702</u>

The goodwill has been allocated to cash generating units of subsidiaries engaged in the provision of QR code on product packaging and advertising display services (the “QR Code CGUs”).

The aggregated recoverable amount of the group of QR Code CGUs is determined based on value in use calculations. The calculation uses cash flow projection based on financial budget approved by management covering a five-year period. The group of QR Code CGUs’ cash flow beyond the five-year period is extrapolated using 3% (2018: 3%) growth rate for group of QR Code CGUs.

The growth rate used does not exceed the long-term average growth rates for the businesses in which the group of QR Code CGUs operate. The pre-tax discount rate used of 15.52% (2018: 15.79%) for QR code business reflects specific risks relating to the relevant unit. Other key assumptions for the value in use calculations relate to the estimation of cash inflow/outflows which include budgeted sales and gross margin, such estimation is based on the units’ past performance and management’s expectations for market development. In the opinion of the Company’s directors, a decrease in the revenue growth rate by 1% per annum and gross margin by 1% per annum would cause the carrying amount of the group of QR Code CGUs to exceed its recoverable amount further by approximately HK\$18,593,000 (2018: HK\$51,369,000) and HK\$5,152,000 (2018: HK\$14,620,000) respectively.

The aggregated recoverable amount of the group of QR Code CGUs was calculated based on value in use method that is lower than the carrying value of the net assets of the group of QR Code CGUs and the goodwill allocated to the group of QR Code CGUs. Accordingly, an impairment loss on goodwill of HK\$164,702,000 (2018: HK\$37,023,000) was recognised in profit or loss for the year ended 31 December 2019.

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Non-current assets</b>		
Unlisted equity investments, at fair value ( <i>note (i)</i> )		
Company A	100,618	130,812
Company B	4,025	23,293
Company C	37,360	34,521
Company D	59,275	54,383
Company E ( <i>note (ii)</i> )	47,724	–
	<u>249,002</u>	<u>243,009</u>
<b>Current assets</b>		
Listed equity investments held for trading, at fair value	<u>158,825</u>	<u>24,250</u>

### Notes:

- (i) The unlisted equity investments relate to investments in five private entities, which were intended to hold for long-term strategic purpose at the time of acquisition. The five private entities are engaged in the provision of advisory and financial services, property holding, investment in securities trading and money lending.
- (ii) On 9 May 2019, the Group subscribed for new shares allotted by Company E that represented approximately 20% of the enlarged share capital of Company E at a cash consideration of HK\$48,960,000. As at 31 December 2019, the shareholding was diluted to 12.86% as Company E issued additional shares to another investor.

## 13. TRADE AND BILLS RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade and bills receivables	58,855	63,145
Less: Impairment loss allowance	<u>(4,092)</u>	<u>(1,341)</u>
	<u>54,763</u>	<u>61,804</u>

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period generally ranges from 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 month	<b>32,151</b>	30,929
1 to 2 months	<b>12,904</b>	16,463
2 to 3 months	<b>1,617</b>	7,067
Over 3 months	<b>8,091</b>	7,345
	<u><b>54,763</b></u>	<u>61,804</u>

#### 14. NOTE RECEIVABLE

The principal amount of the promissory note was HK\$320,000,000, representing the consideration for disposal of a financial asset at fair value through profit or loss in 2018. The promissory note bears zero coupon rate with maturity date of 30 June 2019. The fair value of the promissory note at initial recognition was approximately HK\$285,154,000. The promissory note was measured at amortised cost with an effective interest rate of 13%. Partial promissory note amounting to HK\$120,000,000 and HK\$100,000,000 were early repaid in August 2018 and April 2019, respectively. The early redemption resulting in a gain of HK\$2,108,000 (2018: HK\$12,761,000) during the year ended 31 December 2019.

In June 2019, the issuer of promissory note and Victor Choice Global Limited (an indirect wholly owned subsidiary of the Company) entered into a deed of extension whereby the parties agreed to extend the maturity date of the promissory note with remaining outstanding principal amount of HK\$100,000,000 from 30 June 2019 to 30 September 2019. Other than the aforesaid amendments, the terms and conditions of the promissory note shall remain unchanged and in fully force and effect. The remaining promissory note was fully repaid on 19 September 2019.

#### 15. LOAN AND INTEREST RECEIVABLES

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Fixed-rate loan receivables</b>		
Within one year	<u><b>71,250</b></u>	<u>–</u>

The ranges of effective interest rates which are equal to contractual interest rates on the Group's loan receivables are as follows:

	<b>2019</b>	2018
Effective interest rate		
Fixed-rate loan receivables	<u><b>10%</b></u>	<u>N/A</u>

The loan and interest receivables were fully repaid subsequent to 31 December 2019.

## 16. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 month	<b>22,564</b>	24,698
1 to 2 months	<b>3,390</b>	9,442
2 to 3 months	<b>161</b>	3,908
Over 3 months	<b>6,039</b>	4,073
	<b>32,154</b>	42,121

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

## 17. CONVERTIBLE BOND

On 3 October 2017, the Company and China Huarong International Holdings Limited (the “Subscriber” or “CB Holder”) entered into an agreement (the “CB Agreement”), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the convertible bond (“CB”) in the aggregate principal amount of US\$40,000,000 (equivalent to HK\$312,000,000). The net proceeds from the issue of the CB of approximately US\$39,671,000 (equivalent to HK\$309,439,000) will be used for development of the business operations of SHTY, a subsidiary of the Company, in particular, Touyun Retailers Management System, and for other general corporate purposes. The CB Agreement was completed on 10 November 2017 (the “Issue Date”).

The CB is secured by the share capital or registered capital of certain subsidiaries of the Group and personal guarantee provided by Mr. Wang Liang, a director and a shareholder of the Company. The CB bears interest from and including the Issue Date at the rate of 7.0% per annum, payable semi-annually. The CB matured on the date falling on the second anniversary of the Issue Date (i.e. 10 November 2019) subject to an automatic extension to the third anniversary of the Issue Date (i.e. 10 November 2020) if the following conditions are satisfied (the “Maturity Date”):

- (i) the revenue for the six months ending 30 June 2019 as shown in the unaudited consolidated accounts of SHTY shall be not less than RMB500 million; and
- (ii) the total debt of SHTY as at 30 June 2019 as shown in its unaudited consolidated accounts for the period ended 30 June 2019 shall not be more than 40% of its total assets.

On 10 November 2019, condition (i) above had not been satisfied and the maturity date of the CB had not been extended to the third anniversary of the Issue Date (i.e. 10 November 2020).

The initial conversion price is HK\$1.968 per share (adjusted for the effect of Share Consolidation as disclosed in note 10), subject to anti-dilutive adjustments. The CB Holder has the right to convert the principal amount of the CB into fully-paid ordinary shares of the Company at any time during the period beginning on, and including, the date falling on the 180th day from the Issue Date and ending on, the Maturity Date.

In the situation where the CB is not redeemed on the Maturity Date, the conversion right attaching to the CB will revive and/or will continue to be exercisable up to, and including, on the date upon which the full amount of the moneys payable in respect of the CB has been duly received by the CB Holder.

Unless previously redeemed, converted or purchased and cancelled, the Company shall, redeem all the outstanding CB on the Maturity Date at an amount equal to the Redemption Amount\*. The Company may give notice to redeem in whole, or in part, such CB for the time being outstanding at the Redemption Amount after the 180th calendar day after the Issue Date. Unless previously redeemed, converted or purchased and cancelled, the CB Holder may give notice to redeem in whole, or in part, such CB for the time being outstanding at the Redemption Amount upon occurrence of two consecutive breaches of certain financial covenants as set forth in the CB Agreement.

\* Redemption Amount is defined as an amount equal to the aggregate of (a) the aggregate principal amount of such outstanding CB held by the relevant CB Holder, (b) any accrued but unpaid interest on such outstanding CB on the relevant redemption date; (c) if the sum of the amounts referred in paragraphs (a) and (b) above plus interest already paid on such outstanding CB falls short of making up a return equal to an internal rate of return of 10.0% on the aggregate principal amount of the outstanding CB calculated from the Issue Date until the redemption date, such additional amount which would make up an internal rate of return of 10.0% on the aggregate principal amount of the outstanding CB; and (d) (in respect of any redemption made as a result of any events of default) any default interest accrued but unpaid.

The net proceeds of the CB was HK\$309,439,000, after netting off the issuance cost of HK\$2,561,000.

On initial recognition, the CB contains two components, debt component and derivative (including conversion and early redemption options) component. Since the Redemption Amount, the principal payable on the Maturity Date are denominated and settled in United States dollars (“US\$”) which is not same as the Company’s functional currency which is HK\$, the conversion option will not result in an exchange of a fixed amount of cash (in the context of the functional currency of the Company) for a fixed number of shares and hence the conversion option does not meet the definition of an equity instrument in accordance with the applicable accounting standards. The effective interest rate of the debt component is 13.08%. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

On 31 August 2018, the Company redeemed US\$13.0 million in principal amount of the convertible bond at the Redemption Amount of approximately US\$13.6 million together with the relevant interest up to 31 August 2018 of approximately US\$0.3 million in accordance with the terms of the convertible bond.

During the year ended 31 December 2018, the Group failed to comply with certain financial covenants of the CB Agreement. As a result of such breach of the financial covenants, the CB Holder has the rights to serve written notice to the Company demand immediate repayment of the CB within 3 months from the date of the notice served. Hence, the CB in principal amount of HK\$210,600,000 at the Redemption Amount of HK\$219,461,000 has been classified as a current liability as at 31 December 2018.

During the year, the Group repaid principal and interest at amounts of US\$420,000 and US\$1,915,000 (equivalent to HK\$3,276,000 and HK\$14,937,000) respectively. As at 31 December 2019, the CB has been past due which is due for immediate payment.

As at 31 December 2019, the amount immediately payable by the Group, taken into account (a) outstanding principal, (b) interest accrued but unpaid, (c) additional interest to make up an internal rate of return of 10.0% on the aggregate principal amount of the outstanding CB and (d) default interest at a rate of 18% per annum, was approximately US\$28,876,000 (equivalent to HK\$225,236,000).

As at 31 December 2019, US\$28.8 million (equivalent to HK\$225,236,000) of the CB remained outstanding. Pursuant to the Company’s announcement dated 15 January 2020 and 16 March 2020, the CB matured on 10 November 2019. The Company has received a letter from the CB Holder demanding repayment of the outstanding amount of the CB. The letter did not specify any deadline for repayment. As at the date of this announcement, no proceedings have been instituted or threatened to be instituted against the Company by the CB Holder, and all operations of the Group remain normal.

Subsequent to 31 December 2019, the Company repaid the CB principal and interest at amounts of US\$6,000,000 and US\$587,000 (equivalent to HK\$46,800,000 and HK\$4,580,000) respectively. As at the date of this announcement, US\$20,580,000 (equivalent to HK\$160,524,000) of the principal amount of the CB remained outstanding. Up to the date of this announcement, the Company has continued discussions with the CB Holder with regards to the repayment arrangement of the CB, including but not limited to, agreeing to a repayment schedule. The Company will disclose material developments on the above matter by way of further announcement(s) in accordance with the requirements of the Listing Rules.

The movement of the components of the convertible bond for the years ended 31 December 2019 and 2018 is set out below:

	2019			2018		
	Debt component HK\$'000	Derivative component HK\$'000	Total HK\$'000	Debt component HK\$'000	Derivative component HK\$'000	Total HK\$'000
At 1 January	219,461	3,140	222,601	298,558	1,827	300,385
Finance cost-accelerated interest due to breach of financial covenants	-	-	-	5,641	-	5,641
Finance cost-interest paid	(14,937)	-	(14,937)	(18,291)	-	(18,291)
Early redemption (including payment interest accrued)	-	-	-	(105,836)	-	(105,836)
Repayment of CB	(3,276)	-	(3,276)	-	-	-
Finance cost-interest charge	23,988	-	23,988	35,546	-	35,546
Loss on early redemption of CB	-	-	-	3,843	-	3,843
Change in fair value	-	(3,140)	(3,140)	-	1,313	1,313
Carrying amount at the end of the year	<u>225,236</u>	<u>-</u>	<u>225,236</u>	<u>219,461</u>	<u>3,140</u>	<u>222,601</u>
Classified as:						
Current liability	225,236	-		219,461	3,140	
Non-current liability	-	-		-	-	
	<u>225,236</u>	<u>-</u>		<u>219,461</u>	<u>3,140</u>	

## 18. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include (i) any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its Related Group or a company in which the Group holds an interest or a subsidiary of such company (collectively the "Eligible Group"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include the Eligible Group; or (iii) a company beneficially owned by the Eligible Group. The Scheme became effective on 18 May 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.



“Related Group” means (i) each of the substantial shareholders of the Company, and (ii) each associate and substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the Company or of a substantial shareholder referred to in (i) above, and (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above, and (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above, and (v) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iv) above.

Pursuant to the Scheme, 119,700,000 options and 97,750,000 options were granted to eligible participants of the Group on 25 January 2017 and 12 December 2017 respectively. On 21 February 2019, the Company granted 504,000,000 share options to eligible participants to subscribe for the ordinary shares of the Company at exercise price of HK\$0.12 per share. The number of share options granted and remaining outstanding and the exercise price were adjusted as a result of share consolidation effect on 12 August 2019. The options holders should be remained as eligible participants throughout the vesting period. Movements of the options, which were granted under the Scheme and the effect of Share Consolidation, during the year were listed below:

Date of grant	Exercise price* HK\$	Exercisable period	Number of options outstanding at 1 January 2018	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2018	Adjustment on share consolidation	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2019
25/01/2017	1.34	02/07/2018 to 01/07/2022	24,027,500	(2,425,000)	21,602,500	(16,201,875)	(1,953,125)	3,447,500
25/01/2017	1.34	02/07/2019 to 01/07/2022	24,027,500	(2,425,000)	21,602,500	(16,201,875)	(1,953,125)	3,447,500
25/01/2017	1.34	02/07/2020 to 01/07/2022	24,027,500	(2,425,000)	21,602,500	(16,201,875)	(1,953,125)	3,447,500
25/01/2017	1.34	02/07/2021 to 01/07/2022	24,027,500	(2,425,000)	21,602,500	(16,201,875)	(1,953,125)	3,447,500
			<u>96,110,000</u>	<u>(9,700,000)</u>	<u>86,410,000</u>	<u>(64,807,500)</u>	<u>(7,812,500)</u>	<u>13,790,000</u>

The above options were vested on 2 July 2018. As at 31 December 2019, 6,895,000 (2018: 3,447,500) share options were exercisable.

Date of grant	Exercise price* HK\$	Exercisable period	Number of options outstanding at 1 January 2018	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2018	Adjustment on share consolidation	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2019
12/12/2017	1.34	10/06/2019 to 09/06/2023	24,412,500	(675,000)	23,737,500	(17,803,125)	(78,125)	5,856,250
12/12/2017	1.34	10/06/2020 to 09/06/2023	24,412,500	(675,000)	23,737,500	(17,803,125)	(78,125)	5,856,250
12/12/2017	1.34	10/06/2021 to 09/06/2023	24,412,500	(675,000)	23,737,500	(17,803,125)	(78,125)	5,856,250
12/12/2017	1.34	10/06/2022 to 09/06/2023	24,412,500	(675,000)	23,737,500	(17,803,125)	(78,125)	5,856,250
			<u>97,650,000</u>	<u>(2,700,000)</u>	<u>94,950,000</u>	<u>(71,212,500)</u>	<u>(312,500)</u>	<u>23,425,000</u>

The above options were vested on 10 June 2019. As at 31 December 2019, 5,856,250 (2018: Nil) share options were exercisable.



Date of grant	Exercise price* HK\$	Exercisable period	Number of options outstanding at 1 January 2019	Granted during the year	Adjustment on share consolidation	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2019
21/02/2019	0.48	21/02/2020 to 20/02/2024	-	168,000,000	(126,000,000)	(24,000,000)	18,000,000
21/02/2019	0.48	21/02/2021 to 20/02/2024	-	168,000,000	(126,000,000)	(24,000,000)	18,000,000
21/02/2019	0.48	21/02/2022 to 20/02/2024	-	168,000,000	(126,000,000)	(24,000,000)	18,000,000
			-	504,000,000	(378,000,000)	(72,000,000)	54,000,000

The above options will be vested on 21 February 2020.

The fair value of the share options granted on 25 January 2017, 12 December 2017 and 21 February 2019 are determined using the Binomial Option Pricing Model (the "Model"), was HK\$17,892,000, HK\$17,950,000 and HK\$27,504,000 respectively. The inputs into the Model and the estimated fair value of the share options are as follows:

	25 January 2017	12 December 2017	21 February 2019
Closing price of the shares	HK\$1.14*	HK\$1.22*	HK\$0.42*
Exercise price	HK\$1.34*	HK\$1.34*	HK\$0.48*
Dividend yield	Nil	Nil	Nil
Expected volatility	93.19%	87.92%	94.36%
Risk-free interest rate	1.289%	1.582%	1.423%
Fair value per share option	HK\$0.572* to HK\$0.612*	HK\$0.716* to HK\$0.744*	HK\$0.216* to HK\$0.22*

Expected volatility was estimated based on the historical volatilities of the Company's share price while dividend yield was estimated by the historical dividend payment record of the Company.

During the year ended 31 December 2019, the Group recognised an expense of HK\$15,135,000 (2018: HK\$15,870,000) as equity-settled share based payments in the consolidated statement of profit or loss with reference to their respective vesting period.

\* The price has been adjusted for the effect of Share Consolidation as disclosed in note 10.

## 19. SHARE CAPITAL

	2019 HK\$'000	2018 HK\$'000
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each	-	500,000
12,500,000,000 ordinary shares of HK\$0.04 each	500,000	-
	500,000	500,000

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Issued and fully paid:		
9,797,311,301 ordinary shares of HK\$0.01 each	–	97,973
2,449,327,825 ordinary shares of HK\$0.04 each	<b>97,973</b>	–
	<b>97,973</b>	<b>97,973</b>

On 12 August 2019, the Company implemented the share consolidation (“Share Consolidation”) on the basis that every four issued and unissued existing shares of a par value of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated ordinary share of HK\$0.04 each.

## 20. EVENTS AFTER REPORTING PERIOD

- (a) Pursuant to announcement of the Company dated 6 January 2020, the Company entered into a scale-up program and license agreement with Triton Algae Innovations, Ltd. (“Triton”) in respect of granting to the Group a non-exclusive license to the Triton Acetate Process and Triton Green Strain and for the Group to conduct a pilot production and scale-up manufacturing program.
- (b) On 21 February 2020, the Company and 山西省長治市潞城區人民政府 (“長治市潞城區人民政府”, the People’s Government of Wucheng District Changzhi City, Shanxi Province\*) entered into a chlamydomonas reinhardtii construction plant project co-operation agreement (the “Agreement”). Under the Agreement, the Company and the 長治市潞城區人民政府 would co-operate in the construction of manufacturing facilities for chlamydomonas reinhardtii and related products.
- (c) On 13 March 2020, the Company entered into an agreement (“Subscription Agreement”) with an independent third party, Tian Yuze (田宇澤), in relation to the subscription for 135,135,135 new shares (“Subscription Shares”) of the Company at HK\$0.37 per share. The gross proceeds and net proceeds from the subscription are HK\$50,000,000 and HK\$49,876,000 respectively. The Subscription Agreement has been completed as at the date of this announcement.
- (d) On 17 March 2020, Galaxy Vantage Limited (“Galaxy Vantage”), an indirect wholly-owned subsidiary of the Company entered into an acquisition and subscription agreement (the “Acquisition and Subscription Agreement”) with an independent third party, Mr. David Ki (the “Vendor”), pursuant to which (i) Galaxy Vantage conditionally agreed to purchase, and the Vendor conditionally agreed to sell his 100% equity interests in Hope Capital Limited at the consideration of HK\$41,000,000, which will be satisfied by 13,513 subscription shares of Galaxy Vantage upon completion; and (ii) upon completion, the Vendor will be granted an option to subscribe up to 30% (inclusive of the subscription shares) of the issued share capital of Galaxy Vantage (the “Option”) as at the time of the exercise of the Option as enlarged by the issuance of such new shares under the Option. Upon completion, Hope Capital Limited will become an indirect non-wholly owned subsidiary of the Company. The Acquisition and Subscription Agreement has not yet been completed as at the date of this announcement.
- (e) On 14 April 2020, the Company entered into a share subscription agreement with an independent third party, Ngai Shun (龔純), in relation to the subscription for 135,135,135 new shares of the Company at HK\$0.37 per share. The net proceeds from the subscription are HK\$49,976,000 and the proceeds are intended to be applied as general working capital of the Group. The subscription agreement has been completed as at the date of this announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the year ended 31 December 2019, the Group recorded revenue of approximately HK\$342.7 million (2018: HK\$348.8 million), representing a decrease of approximately 1.7% as compared to the last year. The decrease in turnover was primarily attributable to the decrease in revenue from packaging products business and QR code business, which was due to the contraction of sales orders in 2019.

The loss for the year ended 31 December 2019 was HK\$199.1 million (2018: HK\$254.0 million), represents a decrease of 21.6% as compared to financial year 2018.

Revenue from QR code business was HK\$69.7 million (2018: HK\$73.4 million) and its segment loss was HK\$199.7 million (2018: HK\$195.7 million) during the year ended 31 December 2019. The segment loss of QR code business for the year ended 31 December 2019 was slightly increased by 2% when compared with last year, it was primarily attributable to the increase in impairment loss on goodwill and set off by the decrease in impairment loss of property, plant and equipment and depreciation of property, plant and equipment and control measurements in operating cost. Included in segment loss were impairment loss of goodwill amounted to HK\$164.7 million recognised during the year ended 31 December 2019 (2018: HK\$37.0 million). The impairment loss on goodwill were related to the goodwill allocated to QR code cash generating units (the “QR code CGUs”). The Group’s QR code businesses face various challenges throughout the year, including the increasing competitors in the market, the lower entry barrier into the QR code market, and the keen competitions in the market. In additions, the COVID-19 impact various business sectors in the PRC, including not only the Group’s customers engaged in consumer goods business industry but also the marco economics environment in PRC. The aggregated recoverable amount of the group of QR Code CGUs was calculated based on value in use method that is lower than the carrying value of the net assets of the group of QR Code CGUs and the goodwill allocated to the group of QR Code CGUs. In view of this, the Group recognized impairment loss on goodwill on QR code of HK\$164.7 million during the year (2018: HK\$37.0 million). Details of these are set out in note 11.

The packaging products business reported in a revenue of HK\$260.3 million for the year ended 31 December 2019 (2018: HK\$276.2 million), representing a decrease of 5.8% as compared with last year. The decrease of revenue was largely due to the contraction of sales orders during 2019. A segment profit of HK\$20.5 million was recorded during the year ended 31 December 2019 (2018: HK\$8.4 million), representing an increase of 144.0% as compared with last year and such increase in segment profit was due to the control measurements in operating cost.

During the year, the Group recorded fair value gain of HK\$10.1 million on financial assets at fair value through profit or loss held for trading, compared to the last year amounted to a fair value loss of HK\$1.3 million. Fair value loss of financial assets at fair value through profit or loss not held for trading amounting to HK\$43.0 million was recognised during the year ended 31 December 2019 (2018: HK\$12.8 million), it is largely due to the asset value of the Group’s unlisted investments decreased during the year.

## **PROSPECTS**

In 2019, the Group is continuously focus on the business of QR codes business and packaging product business. The Group will further explore opportunities to amalgamate the business so as to provide a wide range of integrated services to meet the increasing needs of the customers.

## **LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL STRUCTURE**

The Group's financial position was prudently monitored and precisely managed throughout the year. As at 31 December 2019, the Group had outstanding (i) HK\$225.2 million (2018: HK\$219.5 million) secured convertible bond (Details of these are set out in note 17); and (ii) HK\$11.6 million (2018: Nil) unsecured borrowing bears interest of 10% per annum, repayable within one year. As at 31 December 2019, the Group had cash balances amounting to HK\$40.5 million (2018: HK\$97.5 million). The gearing ratio (net borrowings to shareholders' equity) was 0.36 (2018: 0.17).

## **CONVERTIBLE BOND**

On 3 October 2017, the Company and China Huarong International Holdings Limited (the "Subscriber" or "CB holder") entered into an agreement (the "CB Agreement"), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the convertible bond (the "CB") in the aggregate principal amount of US\$40,000,000. The net proceeds from the issue of the CB of approximately US\$39,671,000 (equivalent to HK\$309,439,000) will be used for development of the business operations of 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd.\*) ("SHTY", a subsidiary of the Company), in particular, Touyun Retailers Management System, and for other general corporate purposes. The CB Agreement was completed on 10 November 2017 (the "Issue Date").

The CB is secured by the share capital or registered capital of certain subsidiaries of the Group and personal guarantee provided by Mr. Wang Liang, a director of the Company. The CB will bear interest from and including the Issue Date at the rate of 7.0% per annum, payable semi-annually. The CB will mature on the date falling on the second anniversary of the Issue Date subject to an automatic extension to the third anniversary of the Issue Date if certain financial covenants are satisfied (the "Maturity Date").

The initial conversion price is HK\$0.492 per share (adjusted to HK\$1.968 upon share consolidation in August 2019), subject to anti-dilutive adjustment. The CB holder has the right to convert the principal amount of the CB into fully-paid ordinary shares of the Company at any time during the period beginning on, and including, the date falling on the 180th day from the Issue Date and ending on, the Maturity Date.

On 31 August 2018, the Company redeemed US\$13.0 million in principal amount of the CB at the redemption amount of approximately US\$13.6 million together with the relevant interest up to 31 August 2018 of approximately US\$0.3 million in accordance with the terms of the CB.

During the year ended 31 December 2018, the Group failed to comply with certain financial covenants of the CB Agreement. As a result of such breach of the financial covenants, the CB holder has the rights to serve written notice to the Company demand immediate repayment of the CB within 3 months from the date of the notice served. Hence, the CB in principal amount of HK\$210,600,000 at the redemption amount of HK\$219,461,000 has been classified as a current liability as at 31 December 2018.

During the year, the Group repaid principal and interest at amounts of US\$420,000 and US\$1,915,000 (equivalent to HK\$3,276,000 and HK\$14,937,000) respectively. As at 31 December 2019, the CB has been past due which is due for immediate payment.

As at 31 December 2019, US\$ 28.8 million (equivalent to HK\$225,236,000) of the CB remained outstanding. Pursuant to the Company's announcement dated 15 January 2020 and 16 March 2020, the CB matured on 10 November 2019. The Company has received a letter from the CB holder demanding repayment of the outstanding amount of the CB. The letter did not specify any deadline for repayment. As at the date of this announcement, no proceedings have been instituted or threatened to be instituted against the Company by the CB holder, and all operations of the Group remain normal.

Subsequent to 31 December 2019, the Company repaid the CB principal and interest at amounts of US\$6,000,000 and US\$587,000 (equivalent to HK\$46,800,000 and HK\$4,580,000) respectively. As at the date of this announcement, US\$20,580,000 (equivalent to HK\$160,524,000) of the principal amount of the CB remained outstanding. Up to the date of this announcement, the Company has continued discussions with the CB holder with regards to the repayment arrangement of the CB, including but not limited to, agreeing to a repayment schedule. The Company will disclose material developments on the above matter by way of further announcement(s) in accordance with the requirements of the Listing Rules.

Details of the CB were set out in note 17.

## CAPITAL COMMITMENTS

The Group has the following capital commitments at the end of the reporting period:

	<b>31 December 2019</b>	31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	<u>41</u>	<u>300</u>

## PLEDGE OF ASSETS

As at 31 December 2019 and 2018, the Group's equity interest in Apex Capital Business Limited and its subsidiaries were pledged to secure the HK\$225.2 million convertible bond (2018: HK\$219.5 million).

## **CONTINGENT LIABILITIES**

As at 31 December 2019, the Group did not have any contingent liabilities (2018: Nil).

## **FINANCE LEASE OBLIGATIONS**

As at 31 December 2019, the Group has no outstanding obligations under finance lease (2018: Nil).

## **EMPLOYEES**

As at 31 December 2019, the Group employed approximately 613 employees (2018: 876) in Hong Kong and Mainland China. The Group's remuneration policy is commensurate with merit, qualification and competence of employees. In addition to salary and year-end bonus, the remuneration packages also comprised of share options scheme, provident fund contribution, medical and life insurance.

## **FOREIGN EXCHANGE RISK**

The Group's revenues were mainly denominated in US dollars and Renminbi while expenses were mainly conducted in Hong Kong dollars and Renminbi. In view of the prevailing financial market situation, the Group did not engage in any foreign exchange hedging products for the exposure of currency risk of Renminbi during the year. However, the Group will still closely monitor fluctuations in exchange rates and actively manage the currency risk involved.

## **UPDATE ON USE OF PROCEED IN RELATION TO FUND RAISING ACTIVITIES**

The Company would like to provide the update in respect of the use of the net proceeds in relation to the past fund raising activities as at 31 December 2019:

Reference is made to the announcements of the China Touyun Tech Group Limited (the "Company") dated 10 August 2016, 9 November 2016, 18 November 2016, 24 January 2017, 21 February 2017 and 3 October 2017, and 31 August 2018, in relation to placing of shares and issue of convertible bond (collectively refer as to "Announcements"). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
(1) The Company raised HK\$406.1 million net proceeds from the placing of shares in November 2016 and the net proceeds were intended to use as follow:  (a) An amount of HK\$263.4 million was used for the redemption of the Promissory Note	An amount of HK\$263.4 million was utilised for the full redemption of the Promissory Note in the principal amount of HK\$258 million and payment of accrued interest.



## Intended use of proceeds

- (b) An amount of HK\$142.7 million is for the expansion and development of its QR codes packaging business as to:
- (i) an amount of RMB55 million (equivalent to approximately HK\$63 million) towards an acquisition (the “Acquisition”) of 透雲物聯網科技(北京)有限公司, previously known as 信碼互通(北京)科技有限公司 (TY Technology (Beijing) Co., Ltd., previously known as Sigmatrix Technology Co., Ltd.\*) in the People’s Republic of China (the “PRC”) by 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co., Ltd.\*), an indirect wholly-owned subsidiary of the Company, under the relevant acquisition agreement dated 24 January 2017 which was completed in March 2017;
  - (ii) approximately HK\$14.4 million for the acquisition of plant and equipment (the “Plant and Equipment Acquisition”);
  - (iii) approximately HK\$58.7 million for research and development, recruitment of technical staff and other personnel and other working capital needs for QR codes packaging business (the “Research & Development”); and
  - (iv) approximately HK\$6.6 million for the purchase of transportation and office supplies to support the “Finding the origins of the edible goods program” in different provinces in the PRC (the “Purchase of Transportation and Supplies”).

## Actual use of proceeds

- (i) The Acquisition was completed in March 2017. An amount of HK\$63 million were fully used towards the Acquisition.
- (ii) An amount of HK\$14.4 million was fully used towards the Plant and Equipment Acquisition.
- (iii) An amount of HK\$58.7 million were fully utilised in the Research & Development.
- (iv) An amount of HK\$3.2 million were utilised in the Purchase of Transportation and Supplies and HK\$3.4 million has not yet been utilised and expected to be utilised in 2020 and applied for the same purpose as disclosed in the Announcement.

\* For identification purpose only

**Intended use of proceeds****Actual use of proceeds**

- (2) An amount of net proceeds of US\$39.6 million (equivalent to HK\$309.4 million) was raised from issue of US\$40 million 7% interest convertible bond in November 2017. The Company early redeemed US\$13 million (equivalents to HK\$101.4 million) in principal amount of the CB in August 2018. Therefore, the net proceeds of HK\$203.3 million were intended to use as follows:
- |  |   |
|--|---|
| (a) An amount of HK\$172.5 million were used for expansion and development of QR codes business; | An amount of HK\$172.5 million was fully utilised for the expansion and development of QR codes business. |
| (b) An amount of HK\$30.8 million were used for general working capital of corporate office.     | An amount of HK\$30.8 million was fully utilised for general working capital of corporate office.         |



## SIGNIFICANT INVESTMENT HELD

As at 31 December 2019, the Group held listed investments, unlisted investments and investment in an associate of approximately HK\$158.8 million, HK\$249.0 million and HK\$209.2 million respectively, details of which were set out as follows:

Nature of investments	Number of	Percentage of	Fair value	Fair value		Percentage to	Investment	Net profit/ (loss) of the	Notes
	shares held as at 31 December 2019	shareholding as at 31 December 2019 %	change for year ended 31 December 2019 HK\$'000	as at 31 December 2019 HK\$'000	as at 31 December 2018 HK\$'000	the Group's net assets as at 31 December 2019 %			
<b>Financial assets at fair value through profit or loss</b>									
<i>Unlisted Investments</i>									
Freewill Holdings Limited ("Freewill")	14,550,000	2.95	(19,268)	4,025	23,293	0.74	80,025	(682,562)	(a)
Co-Lead Holdings Limited ("Co-Lead")	363	3.46	(30,194)	100,618	130,812	18.48	145,200	(1,305,589)	(a)
Liberty Capital Limited ("Liberty")	360	12.86	(1,236)	47,724	–	8.76	48,960	1,587	(a)
Satinu Resources Group Limited ("Satinu")	9,108,328	0.73	2,839	37,360	34,521	6.86	53,217	(89,959)	(b)
Simagi Finance Company Limited ("Simagi")	13,000,000	13.09	4,892	59,275	54,383	10.88	65,000	19,244	(a)
			<u>(42,967)</u>	<u>249,002</u>	<u>243,009</u>	<u>45.72</u>	<u>392,402</u>		
Nature of investments	Number of	Percentage of	Share of	Carrying amount		Percentage to	Investment	Net profit/ (loss) of the	Notes
	shares held as at 31 December 2019	shareholding as at 31 December 2019 %	profit for year ended 31 December 2019 HK\$'000	as at 31 December 2019 HK\$'000	as at 31 December 2018 HK\$'000	the Group's net assets as at 31 December 2019 %			
<b>Investment in an associate</b>									
<i>Unlisted Investments</i>									
FreeOpt Holdings Limited ("FreeOpt")	<u>1,500,000</u>	<u>31.38</u>	<u>60,362</u>	<u>209,206</u>	<u>148,844</u>	<u>38.42</u>	<u>150,000</u>	146,912	(a)

### Notes:

The net profit/(loss) of the investee is based on the investee's financial information, which was:

- (a) According to its management accounts for year ended 31 December 2019.
- (b) According to its management accounts for period ended 30 September 2019.

Nature of investments	Number of shares held as at 31 December 2019	Percentage of shareholding as at 31 December 2019 %	Unrealised gain/(loss) on fair value change for year ended 31 December 2019 HK\$'000	Dividends received for year ended 31 December 2019 HK\$'000	Fair value		Percentage to the Group's net assets as at 31 December 2019 %	Investment cost HK\$'000	Net profit/(loss) of the investee HK\$'000	Notes
					as at 31 December 2019 HK\$'000	as at 31 December 2018 HK\$'000				
<b>Financial assets at fair value through profit or loss</b>										
<i>Listed Investments</i>										
The Hong Kong and Shanghai Hotels, Ltd. ("HK&SHotel")	186,500	0.01	80	-	1,557	-	0.29	1,477	494,000	(c)
Y.T. Realty Group Ltd. ("Y.T. Realty")	15,000,000	1.88	2,891	-	33,000	-	6.06	30,109	83,785	(c)
Emperor Culture Group Ltd. ("Emperor Culture")	14,920,000	0.46	115	-	1,194	-	0.22	1,079	(98,974)	(d)
Planetree International Development Ltd. ("Planetree")	1,040,000	0.01	17	-	132	-	0.02	115	32,126	(e)
Oshidori International Holdings Ltd. ("Oshidori")	75,000,000	1.29	17,391	1,393	72,750	24,250	13.36	78,776	(360,014)	(c)
Evergrande Health Industry Group Ltd. ("Evergrande Health")	740,000	0.01	(919)	-	5,750	-	1.06	6,669	(2,208,798)	(e)
CST Group Ltd. ("CST Group")	1,139,832,000	2.95	(1,204)	-	27,356	-	5.02	28,560	(399,352)	(f)
China Dili Group ("China Dili")	1,500,000	0.03	(28)	-	3,675	-	0.67	3,703	635,031	(c)
Ruicheng (China) Media Group Ltd. ("Ruicheng")	462,000	0.12	15	-	1,109	-	0.20	1,094	51,373	(g)
Eternity Technology Holdings Ltd. ("Eternity Tech")	5,400,000	1.80	3,033	-	11,772	-	2.16	8,739	28,339	(c)
WWPKG Holdings Company Ltd. ("WWPKG")	500,000	0.13	43	-	530	-	0.10	487	(10,669)	(h)
			<u>21,434</u>	<u>1,393</u>	<u>158,825</u>	<u>24,250</u>	<u>29.16</u>	<u>160,808</u>		

*Notes:*

The net profit/(loss) of the investee is based on the investee's financial information, which was:

- (c) According to its annual results announcement for year ended 31 December 2019.
- (d) According to its interim report for six months ended 31 December 2019.
- (e) According to its interim report for six months ended 30 June 2019.
- (f) According to its interim report for six months ended 30 September 2019.
- (g) According to its prospectus dated 3 October 2019 for year ended 31 December 2018.
- (h) According to its third quarterly report for nine months ended 31 December 2019.

Freewill is principally engaged in the business of investment holding.

Co-Lead is principally engaged in securities trading and investment holding businesses. Its investment portfolio consists of listed and unlisted securities.

Liberty is principally engaged in the business of investment holding, property investment, SFC with License to carry out licence Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts) and Type 9 (Asset management) regulated activities under the Securities and Futures Ordinance.

Satinu is principally engaged in integrated financial services, securities brokerage services, money lending, securities and other direct investments.

Simagi is principally engaged in the money lending businesses.

FreeOpt is principally engaged in the provision of finance and money lending businesses.

HK&S Hotel is principally engaged in (i) operating hotels, leasing of commercial shopping arcades and office premises located within the hotel buildings; (ii) leasing of commercial and office premises (other than those in hotel properties) and residential apartments and operates food and beverage outlets in such premises; (iii) operation of golf courses, The Peak Tram, wholesaling and retailing of food and beverage products, laundry services and the provision of management and consultancy services for clubs.

Y.T. Realty is principally engaged in (i) property investment for rental income; (ii) trading of properties; (iii) provision of property management and related consultancy services; and (iv) operation of and investment in driver training centers, as well as tunnel operation and management.

Emperor Culture is principally engaged in (i) production and investment of films and TV programs; (ii) investment in events, such as concerts, music production and the management of artists and models; (iii) operation of cinema and the provision of theatrical exhibition services in Mainland China; (iv) provision of post production services and visual special effect services for TV commercials and featured films; and (v) investment in securities.

Planetree is principally engaged in (i) holding and trading of debt and equity securities, as well as the provision of financing services; (ii) property investment through an associate; and (iii) leasing of properties.

Oshidori is principally engaged in investment holdings, trading and investment in securities, and the provisions of (i) securities brokerage services; (ii) placing and underwriting services; (iii) corporate financial advisory services; (iv) money lending services; (v) investment advisory and asset management services; and (vi) margin financing services.

Evergrande Health is principally engaged in (i) publication of advertisements, the sales of magazines and books, the provision of digital businesses services and the provision of magazine content; and (ii) international hospital businesses, elderly care and rehabilitation businesses, Internet community health management businesses, as well as the provision of plastic surgery, anti-aging and other health services.

CST Group is principally engaged in (i) exploration, mining and sales of minerals; (ii) investment in financial instruments; (iii) investment in properties; (iv) money lending businesses; and (v) operation of e-logistics platforms.

China Dili is principally engaged in the operation of agriculture wholesale markets in the PRC.

Ruicheng is principally engaged in the provision of advertising services in the PRC.

Eternity Tech is principally engaged in the research and development, manufacture and sales of printed circuit board assembly and fully-assembled electronic products.

WWPKG is principally engaged in selling of packaged tours, air tickets and hotel accommodation (free independent traveler Products), and ancillary travel-related products and services in Hong Kong.

In respect of the investment sector of the Group, the recent development of COVID-19, trade war between United States and China and political environment in Hong Kong have brought haze to stock market and investment market in Hong Kong. Although the future prospect of the Hong Kong markets is still uncertain, the management will continue to take a prudent approach to seek potential investments to diversify its investment portfolios and capture investment gains in the future.

## **CORPORATE GOVERNANCE**

During the year, the Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except for the following deviations from code provision A.6.7 of the CG Code:

- (i) One non-executive director did not attend the annual general meeting of the Company held on 5 June 2019 (the “2019 AGM”) as he had another business engagement. The Company considers that the members of the Board who attended the 2019 AGM were able to sufficiently answering questions from shareholders at the 2019 AGM.
- (ii) One non-executive director did not attend the special general meeting held on 8 August 2019 (“2019 August SGM”). The Company considers that the members of the Board who attended the 2019 August SGM were able to answer questions from shareholders of 2019 August SGM.
- (iii) One non-executive director did not attend the special general meeting held on 7 November 2019 (“2019 November SGM”). The Company considers that the members of the Board who attended the 2019 November SGM were able to answer questions from shareholders of 2019 November SGM.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors. In response to a specific enquiry by the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

## **AUDIT COMMITTEE**

The Audit Committee has discussed with the management and independent auditors the accounting policies and practices adopted by the Group, and has reviewed the Group’s consolidated financial statements for the year ended 31 December 2019.

## **SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Company's auditors, Moore Stephens CPA Limited ("Moore Stephens") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Moore Stephens in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Moore Stephens on this announcement.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The following is an extract of the independent auditor's report from the Group's audited consolidated financial statements for the year ended 31 December 2019.

"In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw attention to note 31 to the consolidated financial statements, which highlights that the convertible bond has been past due and hence is due for immediate payment. The amount immediately payable by the Group, taken into account (a) outstanding principal (b) interest accrued but unpaid, (c) additional interest to make up an internal rate of return of 10.0% on the aggregate principal amount of the outstanding convertible bond, and (d) default interest at a rate of 18% per annum, was approximately US\$28,876,000 (equivalent to HK\$225,236,000). While the Group's cash and cash equivalents as at 31 December 2019 amounted to only HK\$40,457,000. In December 2019, the Group received a letter from the convertible bond holder demanding repayment of the outstanding amount of the convertible bond.

These conditions, along with other matters as set forth in note 1(b) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of these matters."

## **PUBLICATION OF 2019 ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.chinatouyun.com.hk](http://www.chinatouyun.com.hk). The 2019 Annual Report will be available on these two websites and despatched to the shareholders of the Company in due course.

By order of the Board  
**China Touyun Tech Group Limited**  
**Wang Liang**  
*Chairman*

Hong Kong, 21 April 2020

As at the date of this announcement, the Board comprised the following directors:

*Executive Directors*

Mr. Wang Liang (*Chairman*)  
Mr. Du Dong  
Mr. Lo Yuen Wa Peter

*Non-executive Directors*

Mr. Chen Hui  
Ms. Tian Yuze

*Independent Non-executive Directors*

Mr. Cheung Wing Ping  
Mr. Ha Kee Choy Eugene  
Mr. To Shing Chuen